



CATÓLICA LISBON

SCHOOL OF BUSINESS & ECONOMICS

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Alpargatas S.A. Equity Valuation

Alpargatas S.A. is the largest footwear manufacturing company in Latin America and aspires to become a global company of desired brands in the footwear, apparel and accessory industries, under the brand names Havaianas, Osklen, Topper, Rainha, Dupe, Mizuno, and Timberland (the firm owns the license of the two last brands to operate in Brazil).

The company has 644 exclusive stores, which provide to the customers a unique brand experience, where 508 of the stores are in Brazil and the other 136 are overseas. Furthermore, the company has more than 180,000 points of sale spread in Brazil, Argentina, USA, Europe and Exports. In special, the “Havaianas” brand is already present in 107 countries.

Based on a mix analysis of a “Base DCF” model, a “Bear DCF” model and a Relative Valuation, is estimated a target price for ALPA4 of R\$ 8.98 per share, which implies a 23.8% upside potential when compared to the current market price, R\$ 7.25. This target price results on a “BUY” recommendation.

Alpargatas S.A.

BUY	23.8% upside
Fair Value (YE15)	R\$ 8.98

Ticker (local)	ALPA4
Share Price	R\$ 7.25
Market Cap	R\$ 3,340m

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Disclaimer

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ABSTRACT

Alpargatas S.A. is the largest footwear manufacturing company in Latin America and aspires to become a global company of desired brands in the footwear, apparel and accessory industries, under the brand names Havaianas, Osklen, Topper, Rainha, Dupe, Mizuno, and Timberland (the firm owns the license of the two last brands to operate in Brazil).

The present dissertation was developed by Rogério Paulo Oliveira de Moraes and aims to value an equity investment on Alpargatas S.A. (ALPA4 BZ).

The valuation model implemented to compute the fair value of ALPA4 results from an extensive literature review on the subject, as well as an extensive analysis of the company and the industry. As a result, the model is based on a two scenarios DCF supported by a Relative Valuation.

The target price estimated is of R\$ 8.98 per share, which implies a upside potential of 23.8% and results on a “BUY” recommendation.

In the end, the results will be compared to the ones obtained by the Itaú BBA Equity Research team in the 27/11/2014 report.